

# ECONOMIC AND PLANNING SYSTEMS

## FISCAL AND FINANCIAL EVALUATION OF THE MISSION BAY PROJECT

*Mission Bay (San Francisco, Calif.)*

*City planning - Calif. - San Francisco.*

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## EXECUTIVE SUMMARY

**T**HROUGHOUT THE PLANNING of the Mission Bay Project, the City has evaluated the fiscal impacts and the financial feasibility of the Mission Bay Project. This report summarizes the financial aspects of the proposed Mission Bay agreement that has been negotiated by the City and Santa Fe Pacific Realty Corporation (the Project Sponsor). A fiscal analysis of the Mission Bay Project which evaluates the effects of the Mission Bay Project upon the City's Budget is also presented.

- **MISSION BAY OBJECTIVES.** The City objectives for the Mission Bay Project can be achieved without creating an excessive financial burden upon public or private interests. The Mission Bay objectives include:
  - Create a New San Francisco Neighborhood
  - Provide Urban Infrastructure and Community Facilities
  - Provide Fiscal Benefits to the City
  - Provide Affordable Housing
  - Support Special Programs
- **SITE CONSTRAINTS.** The lack of existing infrastructure, the site's geologic conditions, and its historical uses create a large number of site-related development constraints. Special measures have been developed during the Mission Bay planning process to address these site constraints and to protect the City from unforeseen costs and liability. Hazardous waste mitigation and additional foundation costs will add significantly to private sector development costs.
- **FISCAL EFFECTS.** The proposed Mission Bay Project would have positive effects upon the City's General Fund. During the early years, fiscal benefits would be small; however, as the project matures, General Fund revenues from the Mission Bay Project would exceed public service and maintenance costs by over \$13 million annually. Over the anticipated 30-year buildout period, over \$215 million of fiscal benefits would accrue to the City (costs of the City's Housing Program, discussed below, are not included in this total).
- **FINANCING CAPITAL COSTS.** Costs for infrastructure, parks and open space, community facilities, and development fees within Mission Bay would be nearly \$300 million. The Project Sponsor will fund nearly 80 percent of these costs (approximately \$231 million). State and Federal grants and other agencies will fund 18 percent (approximately \$63 million) and the City 2 percent (approximately \$5 million, \$3 million of which is a school fee for affordable housing).





- **AFFORDABLE HOUSING PROGRAM.** 3,000 units of affordable housing will be provided; 800 directly by the Project Sponsor. For the remaining 2,200 units, the Project Sponsor will complete hazardous waste mitigation and site improvements for 26 acres of land that will be dedicated to the City for housing. The City will work in cooperation with non-profit housing groups who will construct affordable housing. To achieve its affordable housing objectives, the City will subsidize housing construction costs and/or rents and financing. This subsidy, on a cash basis, will equal approximately \$90 million (1989 dollars).
- **HAZARDOUS WASTES.** Hazardous wastes in the soil must be mitigated prior to the changes in use proposed for Mission Bay. Although the magnitude of this problem is not fully known, a significant risk and liability to both the City and the Project Sponsor exists. The Project Sponsor has agreed to investigate and mitigate the Mission Bay site, excluding approximately 15 acres (the China Basin Channel and certain Port property currently leased to third parties). The City and the Project Sponsor will share equally in any investigation and mitigation costs for these areas.





# THE MISSION BAY PROJECT

## A New San Francisco Neighborhood

**T**HE MISSION BAY PROJECT, as proposed in the 1987 Mission Bay Plan and refined in the Development Agreement negotiations over the past three years, will create a new San Francisco neighborhood that includes a mix of housing, retail and office space, and recreational opportunities within the 315-acre area of Mission Bay. The Mission Bay Land Use Plan is summarized in Figure 1.

**Figure 1 - Summary of Mission Bay Land Use Program**

Land Use	Land Area	Sq.Ft. of Space
Residential		
Market Rate (5,000 units)	73.8	4,250,000 sq.ft.
Affordable (3,000 units)	25.8	2,730,000 sq.ft.
<b>Total Residential (8,000 units)</b>	<b>99.6</b>	<b>6,980,000 sq.ft.</b>
Office	25.4	4,800,000 sq.ft.
Commercial/Light Industrial	7.7	900,000 sq.ft.
Hotel (500 rooms)	2.3	400,000 sq.ft.
Retail		
Stand-alone	4.2	100,000 sq.ft.
under Residential		635,000 sq.ft.
<b>Total Commercial</b>	<b>39.6</b>	<b>6,835,000 sq.ft.</b>
Community Facilities	3.2	
Parks/Open Space	64.1*	
Public Facilities Site	11.3	
Infrastructure		
Streets and Freeways	76.1	
Metro Maintenance Facility	10.2	
Caltrain Station/I-280	9.2	
Channel Pump Station	1.5	
<b>Total Public</b>	<b>175.6</b>	
<b>TOTAL</b>	<b>314.8 acres</b>	<b>13,815,000 sq.ft.</b>

\* An additional 4.7 acres of parks are included within commercial and residential acreages, for a total of 68.8 acres.

The housing and commercial space will add new population and employment to the City, creating a need for public facilities and services as well as generating new public revenues. Approximately 16,000 residents and 23,000 private sector employees will locate in Mission Bay. Although many may move from other parts of the City, this relocation will free residential units and commercial space for new City residents, leading to overall population and employment growth.

## Infrastructure, Parks, and Community Facilities Must Be Constructed

To accommodate new development and supplement existing City-wide facilities, the Mission Bay Project would include the following items:

- **Basic Infrastructure** - A completely new street network, water and sewer lines and other utilities, and new and improved bridges and freeway ramps must be constructed to serve Mission Bay.





- ***Parks and Open Space*** - About 69 acres of parks and open space will be created in Mission Bay, including open space required of commercial and housing projects. The parks and open space will focus upon creating linear access to waterfront areas along Mission Creek and the Bay.
- ***Community Facilities*** - Community facilities such as police and fire stations, a school, and recreation, cultural, child care and seniors centers would be built within Mission Bay. These facilities would primarily serve Mission Bay residents and businesses but would also improve service throughout the South of Market and Southern Waterfront areas.
- ***Civic Facilities*** - An 11-acre site (at Seventh and Townsend) would be provided to the City for public facilities. Current concepts include a community recreation center, a museum or playing fields.
- ***Metro East Storage and Maintenance Facility*** - MUNI transit extensions (to the Metro and the 22, 30 and 47 lines) through Mission Bay would improve transit service in the southeast portion of the City. The new storage and maintenance facility is a necessary improvement for the planned extension along the Embarcadero.
- ***CalTrain Station*** - A new CalTrain Station would be created within Mission Bay whether or not CalTrain is extended downtown. An opportunity to integrate the CalTrain system into the MUNI Metro system is being technically evaluated.
- ***Consolidated Port Container Facility*** - The land exchange with the Port would provide land in the vicinity of Pier 80. This larger site will allow creation of consolidated container facilities for the Port.

## ***Site Constraints Will Make Development Costly***

The lack of existing infrastructure and the site's geologic conditions and historical patterns of use have created a large number of site-related development constraints. Addressing these constraints will require significant investments by the Project Sponsor and other future builders:

- ***Fragmented Tenure and Parcel Patterns*** - The Mission Bay site is presently occupied by industrial uses, warehouse uses, and transportation facilities, including Port-related uses and the terminus of the CalTrain. Creating a unified development requires assembly of privately-held parcels, lease of publicly-held lands, a complex land exchange of public and private lands, and rezoning to establish new parcels and road grids.
- ***Poor Soil Conditions*** - Over the years, uses have been constructed on landfill that, at one time, was a small bay at the mouth of Mission Creek. As a result, major new development will require costly foundation and drainage improvements.
- ***Hazardous Wastes*** - Years of industrial uses may have polluted the land. The exact cost for mitigation is uncertain, but it could be significant.
- ***Lack of Adequate Urban Infrastructure*** - The 315-acre site currently lacks the infrastructure necessary to serve new development of the magnitude proposed. Basic infrastructure (streets, sewer, water, etc.), transit, open space and parks, and community facilities will be required. A combination of public and private funds are necessary to build and maintain these facilities.





## ***A Set of Special Measures Will Help Assure that City Objectives Are Achieved***

A series of special measures will: 1) protect the City's financial investment in public improvements; 2) protect the City from unnecessary financial risk; and 3) provide other needed improvements and programs which are the Project Sponsor's responsibility.

- ***Development Agreement*** - The Development Agreement is the key overview document which obliges the City to approve development consistent with the Land Use Program in return for Project Sponsor commitments related to financing infrastructure and special programs (e.g. affordable housing). The Development Agreement will define the precise financial responsibilities for all infrastructure and special program costs. Final development and occupancy approvals will be linked to the completion of infrastructure serving each developing area. Specific linkage requirements between development activity and project amenities will also be documented in the Development Agreement.
- ***Specific Plan/Financing Plan*** - The Specific Plan is the land use policy document which will establish land use policies, development standards, and design guidelines. The Specific Plan will be based largely upon the original Mission Bay Plan released in January 1987. The Specific Plan also will include policies and programs which address the costs of infrastructure and services and how such costs will be funded, recapitulating the Development Agreement.
- ***Master Tentative Map*** - Parcel assembly and subdivision will be regulated with a master tentative map. This subdivision map process will also require the Project Sponsor to meet a variety of conditions consistent with the Development Agreement and the Specific Plan, as well as other City ordinances, prior to recording individual final maps, including land dedications, performance bonds, infrastructure commitments, park construction, and community facilities construction.
- ***Mello-Roos Community Facilities District*** - A Community Facilities District (CFD) could provide an optional mechanism for the Project to fund certain infrastructure improvements. The CFD is a flexible financing mechanism which uses a special tax to support bonded indebtedness.
- ***Land Exchange Agreement*** - A Land Exchange Agreement is necessary to consolidate parcels and to return "in kind" property value to the Port and the City. The Agreement includes exchanging certain Port properties within Mission Bay for properties held by the Project Sponsor near Pier 80. The City's former street grid will be exchanged with the Project Sponsor in return for sites to be used for affordable housing and public facilities.
- ***Hazardous Waste Mitigation Program*** - The City and Project Sponsor have agreed that principal responsibility for mitigating hazardous wastes, if found, will belong to the Project Sponsor. A Hazardous Waste Mitigation Program, which addresses these responsibilities and related assurances and indemnification, is included in the Development Agreement.
- ***Port Lease*** - Certain Port of San Francisco lands are required to realize the proposed Mission Bay Land Use Plan. The Port would license 22 acres to the Project Sponsor to be developed as parks.
- ***Housing Program*** - The Housing Program will involve public, private, and non-profit participants. The Program will be based upon a series of land dedications made by the Project Sponsor to the City. These dedications, phased in accordance with overall development, will provide the City with sites on which the City will subsidize affordable housing development.





# A FINANCING PLAN FOR INFRASTRUCTURE, PARKS, AND COMMUNITY FACILITIES

**T**HE SPECIFIC FINANCING COMMITMENTS for Mission Bay are documented in the Development Agreement. The following section summarizes the major components of the financing plan.

## *The Project Sponsor Will Pay for the Majority of Required Infrastructure*

Figure 2 presents a list of capital costs and indicates funding responsibility and sources. Total infrastructure, parks, and community facilities costs for the proposed Mission Bay Project will be approximately \$300 million, with the Project Sponsor responsible for over \$231 million (primarily infrastructure and facilities serving the project). The City's share is \$5 million; the School District's share is \$9 million; and, the State and Federal governments are responsible for \$54 million which includes the I-280 freeway regional transportation connections.

The City's limited responsibilities for infrastructure will be funded through a variety of mechanisms, including revenues generated by the Project (e.g. property taxes, sales taxes, hotel taxes, etc.). The effect of the proposed Mission Bay Project upon the City Budget is discussed in the following section of this report. The School District will collect \$12.6 million in school impact fees from the Project.

**Figure 2 - Summary of Project Costs**

			Public		
Total Cost			Developer's Share	Grants & Other Agencies	City
<b>Capital Items</b>					
Basic Infrastructure	(1)	85,200,000	54,000,000	31,100,000	0
Transit & Trains	(2)	24,900,000	2,000,000	22,900,000	0
Open Space and Parks	(1)	31,100,000	31,100,000	0	0
Community Facilities	(3)	23,900,000	12,900,000	9,000,000	\$2,000,000 (4)
Land Exchange		16,500,000	16,500,000	0	0
<b>Ongoing Payments (5)</b>					
Fees & Special Programs	(6)	58,000,000	54,700,000	0	3,300,000 (7)
Port Open Space	(8)	60,000,000	60,000,000	0	0
<b>Total Costs</b>		<b>\$299,600,000</b>	<b>\$231,300,000</b>	<b>\$63,000,000</b>	<b>\$5,300,000</b>
<b>Notes:</b>					
(1) Based on 1987 cost estimates by Department of Public Works.					
(2) Based on 1987 cost estimates by Public Utilities Commission. Transit costs are partially funded with the Transit Impact Development Fee.					
(3) 1989 costs per proposed Development Agreement.					
(4) City's share of Police Station.					
(5) These payments will be made over 30 years as the project is developed.					
(6) Based on current fee levels.					
(7) School impact Fees are an added cost of the City's Housing Program.					
(8) The Port estimates that these license payments (equal to \$2 million a year) will total \$100 million over 30 years after escalation.					





## *Funding Sources for Each Major Cost Category*

- **Site Assembly** - The land exchange agreement will largely involve "in-kind" trades of land, with the major trade being for Port lands within Mission Bay for the Project Sponsor's lands near Pier 80. In addition to these trades, the Project Sponsor will enter into a long-term license with the Port of San Francisco for 22 acres of open space at a lease term cost of \$60 million.
- **Basic Infrastructure** - Approximately \$54.1 million of a total estimated basic infrastructure cost of \$85.2 million will be funded directly by the Project Sponsor, either by construction and dedication of facilities (streets, sewer, water, etc.) or by cash payments for the completion of facilities.

Federal grant funds for the I-280 program and Federal Aid Urban (FAU) grants will provide \$31 million for road, bridge and freeway improvements.

- **Transit and Trains** - The Project Sponsor will dedicate MUNI Metro rights-of-way and will construct a new belt railroad to serve the Port.

Transit facilities, including track construction, trains, trolleys, and buses are expected to be funded by the Urban Mass Transportation Administration (UMTA) grants. The capital component of the Project Sponsor's Transit Impact Development Fee (TIDF) would also be available if necessary.

A six-acre portion of the proposed Metro East storage and maintenance facility areas will be purchased by the City at fair market value, adding to the three acres of City property. These purchases will be funded with UMTA grants.

- **Parks and Open Space** - The parks, open space and Mission Creek channel edge improvements within Mission Bay will be constructed and provided to the City by the Project Sponsor.
- **Community Facilities** - Community facilities include a school, police and fire stations, cultural and recreation centers, child care service centers, and other community facilities. The Project Sponsor will be responsible for dedicating land and constructing or funding these facilities, except as noted below:
  - The City will provide 50 percent of the cost of the proposed police station to be located within Mission Bay (\$2 million). City General Fund revenues and/or bond proceeds will be used to pay for this cost. In addition, the City may choose to fund development of a variety of additional community facilities on its affordable housing sites, such as child care facilities funded with the Project Sponsor's child care fees and health and seniors facilities.
  - The School District will construct a school within Mission Bay on a site dedicated by the Project Sponsor. The Project Sponsor will pay the impact fee for schools that may be levied by the School District for school development and/or improvement. The City will pay any school impact fees applied to the affordable housing units.
- **Impact Fees** - The Project Sponsor will pay impact fees currently levied on development in San Francisco, with the exception of the Office Affordable Housing Production Program and a set of special program fees. The Office Affordable Housing Production Program will not be applied in Mission Bay because the proposed Housing Program exceeds its requirements (and cost to the Project Sponsor).



These fees include the TIDF (\$5 per square foot of office development, totalling \$24 million); Child Care, (\$1 per square foot fee levied upon office, commercial/light industrial, and hotel uses, totalling \$6.1 million, or provide facilities equal to 1% of square footage); and a school impact fee (\$1.56 per square foot of residential and \$0.27 per square foot of commercial development).

In addition to current impact fees, the Project Sponsor will pay a \$2 per square foot fee on office development (totalling between \$9.6 and 11.4 million over the completion of the Project) for a variety of economic development, affirmative action, and employment training programs to be managed by the City.

A Public Art Program will require the inclusion of public art into office buildings, the hotel, parks, and community facilities as they are constructed. The Project Sponsor will be responsible for providing art work, contracts and material enhancements which equal 1% of construction costs.

- **Contingency Costs** - A contingency cost factor of 10 percent has been included in all capital cost estimates. Any cost for improving or eliminating the China Basin sewage outfall is not included. The City's sewer system discharges directly into the Bay when stormwater volumes exceed system capacity. Stormwater discharge points are located at various locations along the City's waterfront, including within the China Basin Channel. State and federal regulations currently allow about 10 discharges per year from the China Basin outfall. The City's current discharge permit is valid until 1994.

The City could incur costs for modifying or removing the China Basin outfall in the future if required to do so as part of overall San Francisco Bay basin water quality requirements imposed by the Regional Water Quality Control Board. Development along the Channel could increase pressure upon the Regional Board to further limit or eliminate the overflows. If the Regional Board were to change the permit after 1994, the costs of improvements would depend upon specific regulatory requirements. Funding would be derived from City-wide sources, such as sewer revenue bonds.

## *The Cost Burden upon the Project Sponsor Is within Acceptable Limits*

It is important to assure that the burden of infrastructure, parks, and community facility costs, in addition to fees and special program costs borne by the Project Sponsor, do not make the proposed Mission Bay Project financially infeasible, and thus ultimately not completed by the Project Sponsor.

Project Sponsor costs for these capital improvement items, at \$231 million, are within accepted industry standards for such costs. For example, the maximum acceptable "lien-to-value" ratios (cost of improvements divided by the value of the improved property) for assessment bonds to fund public improvements are in the range of 25 percent. The Mission Bay Project will have land value and construction costs in the range of \$2 billion; hence, its "lien-to-value" ratio would be just over 10 percent. The high construction costs required to mitigate site soil conditions and the hazardous waste mitigation costs will add significantly to site development costs; however, these additional costs, in addition to costs for capital improvement items and other site development costs, appear to remain within an acceptable range from a private investment standpoint.





# FISCAL BENEFITS TO THE CITY

A DETAILED FISCAL MODEL of the City's General Fund and related funds was prepared to evaluate the proposed Mission Bay Project. The model projected public revenues and costs accruing to the General Fund for a 35-year period (the cost of the City's Housing Program was not directly included within this model). The model indicated that the Mission Bay Project would generate a substantial positive cost/revenue balance to the City. This positive balance may be small during the first few years of the Project, but would grow throughout the projected 30-year buildout. Following project buildout, the positive balance will stabilize and may decline slowly as little new development occurs and infrastructure ages. The total surplus between project initiation and buildout, assumed at 30 years, is about \$215 million.

## *The City of San Francisco Will Provide a Full Range of Public Services*

San Francisco's unique form of government as a combined city and county obligates it to provide the full range of services to the proposed Mission Bay Project, including:

Urban Services, such as fire and police protection, recreation programs, road maintenance, planning and code enforcement activities, are provided directly to the area.

Mandated and County Responsibility Services are all mandated services normally provided by counties including a criminal justice system with trial courts and jails, public assistance programs such as Aid for Dependent Children (AFDC), Food Stamps, General Assistance and public health facilities.

Public Utilities and other Enterprises include enterprise operations such as the MUNI, the Water Department, the Clean Water Program, and San Francisco General and Laguna Honda hospitals. These entities operate semi-autonomously by charging user fees for their services and maintaining separate budgets from the City's General Fund Budget. Transfers from the City's General Fund are typically required for MUNI and the hospitals.

In addition to the normal City services, a set of Special Programs would be established for the Mission Bay project to meet various community needs. These include the Economic Development/Affirmative Action/Employment Training Program, public art, transportation system management, and the Housing Program.





## *Public Service Costs and Revenues Will Grow as Development Occurs*

As Mission Bay develops, service costs will increase proportionately. However, public service costs typically do not increase in even annual increments; rather, they are "step functions" reflecting the actual unit increases in services or facilities capacity. These increases follow budget commitments (service and facility expansions) made by the Mayor and the Board of Supervisors each fiscal year. For example, fire protection costs will be created when the new station and engine company comes on line. This facility will be below capacity in the early years, resulting in higher per unit costs. These unit costs will decline as development occurs.

The City's main revenue sources are the property tax, local taxes (predominated by the local business tax, sales tax and hotel tax), fines, fees and penalties, user charges, and State grants and subventions. At buildout of the Project, total General Fund revenues will exceed \$36million annually.

Revenues, like costs, are dependent upon the rate of development and its revenue-generating characteristics. Generally speaking, revenues will grow in proportion with completion of Mission Bay. Certain uses, such as the hotel, have unique additional revenue-generating characteristics and are thus important contributors to the Project's fiscal benefits.

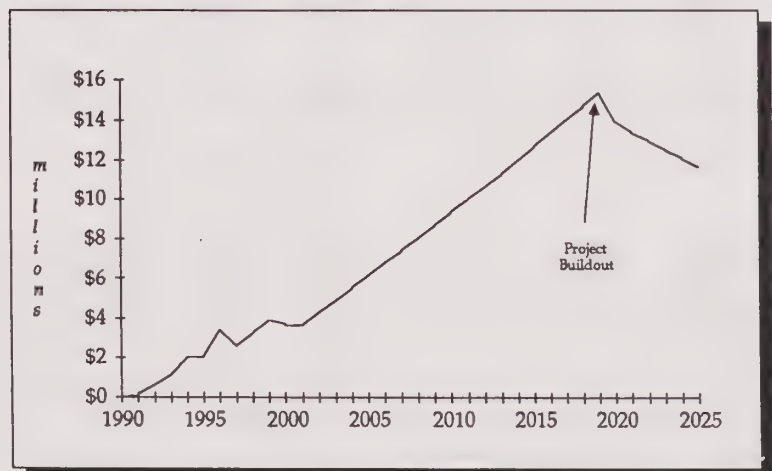
## *The Annual Cost/Revenue Balance Will Be Small in Early Years Followed by a Period of Substantial Surplus*

Figure 3 illustrates the pattern of annual net fiscal balance for the Mission Bay Project through the assumed 30-year buildout period. Figure 4 provides the detailed estimates of specific City General Fund Budget cost and revenue items. These costs and revenues are shown in constant 1989 dollars.

Three distinct phases in the fiscal projection are apparent:

- In the initial years (1 through 5) of development, the cost/revenue balance is shown to be slightly positive, with a first year surplus of approximately \$100,000. By the end of the fifth year, the annual net surplus may reach \$2.0 million.

**Figure 3 - Annual Net Fiscal Effects on General Fund (1989 dollars)  
(General Fund Revenues Less Costs Other Than the Housing Program)**





- By the end of the second phase (the tenth year), the annual cost/revenue balance may exceed \$3.6 million. This net balance would continue to grow, reaching \$13.9 million by the completion of the project, assumed to be in the year 2020.
- Following buildout, net annual surpluses would stabilize, then decline slowly as no new value is created, infrastructure ages, and related service and maintenance costs increase.
- Cumulatively, over the 30-year buildout period, the projected annual fiscal surpluses would total \$215 million.

## *Economic Uncertainties and Changing Fiscal Conditions May Alter Projected Cost/Revenue Balances*

The fiscal projections are based upon a fiscal model that includes numerous assumptions regarding the rate of development, development values, tax revenues, service costs, inflation and appreciation. Assumptions used were conservative; however, they are by no means assured. Furthermore, changes in City-wide fiscal and national and local economic conditions will affect the timing and magnitude of Mission Bay development.

**Figure 4 - Annual Cost & Revenue Effects on General Fund**

GENERAL FUND GROUP	1995	2000	2005	2010	2015	2020	2025
<b>Revenues</b>							
Property Tax	\$3,754,921	\$8,011,772	\$11,759,183	\$15,665,691	\$19,770,769	\$24,115,469	\$22,485,417
Local Taxes	1,519,324	3,269,437	4,424,361	5,603,444	6,808,645	8,042,075	8,027,457
Licenses/Fines Forfeits Penalties	30,912	62,196	91,868	121,535	151,205	180,875	180,875
State Subventions	353,702	707,404	1,061,106	1,414,808	1,768,510	2,122,212	2,122,212
Charges - Current Services	179,571	359,143	538,714	718,286	897,857	1,077,429	1,077,429
Traffic Fines	116,510	233,021	349,531	466,041	582,551	699,062	699,062
Welfare Assis. & Admin.	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>5,954,941</b>	<b>12,642,972</b>	<b>18,224,761</b>	<b>23,989,805</b>	<b>29,979,538</b>	<b>36,237,121</b>	<b>34,592,451</b>
<b>Expenditures</b>							
City Planning	207,214	212,683	218,430	224,472	230,821	237,494	244,508
Police	919,044	1,855,872	2,707,004	3,605,001	4,524,500	5,496,470	5,658,790
Fire	0	1,494,095	1,534,474	1,576,913	1,621,517	3,805,842	3,918,235
Recreation and Parks Comm.	554,983	946,303	1,656,565	1,702,380	1,750,533	1,801,142	1,854,333
Social Services	48,426	99,408	153,142	209,836	269,714	333,014	342,849
Public Works	104,582	216,115	327,297	444,604	568,496	699,487	720,123
All Other Departments	1,077,946	2,220,724	3,389,887	4,623,463	5,926,302	7,303,583	7,519,269
<b>TOTAL</b>	<b>2,912,194</b>	<b>7,045,199</b>	<b>9,986,799</b>	<b>12,386,669</b>	<b>14,891,883</b>	<b>19,677,013</b>	<b>20,258,106</b>
<b>General Fund Group (before Transfers):</b>							
Net Operating Surplus or (Deficit)	3,042,746	5,597,774	8,237,962	11,603,136	15,087,654	16,560,109	14,334,345
<b>CONTRIBUTION TRANSFERS</b>							
Municipal Railway	831,289	1,566,246	1,542,980	1,511,905	1,471,832	1,421,412	1,434,709
S.F. General	154,684	317,532	489,171	670,267	861,532	1,063,727	1,095,141
Laguna Honda Hospital	21,934	45,025	69,363	95,041	122,162	150,833	155,287
<b>TOTAL</b>	<b>1,007,906</b>	<b>1,928,803</b>	<b>2,101,514</b>	<b>2,277,213</b>	<b>2,455,526</b>	<b>2,635,971</b>	<b>2,685,136</b>
<b>GENERAL FUND GROUP -</b>							
(After Contribution Transfers)	2,034,840	3,668,970	6,136,448	9,325,923	12,632,129	13,924,138	11,649,209
<b>OTHER FUNDS AND TRANSFERS</b>							
<b>Special Gas Tax/Road Fund</b>							
Revenues	51,783	89,684	117,814	139,206	156,073	170,017	156,159
Expenditures	176,902	247,902	325,684	410,756	431,709	453,730	476,875
<b>NET CHANGE</b>	<b>(125,119)</b>	<b>(158,218)</b>	<b>(207,870)</b>	<b>(271,551)</b>	<b>(275,636)</b>	<b>(283,713)</b>	<b>(320,716)</b>
<b>Hotel Tax Fund (Revenues)</b>	<b>0</b>	<b>1,223,040</b>	<b>1,223,040</b>	<b>1,223,040</b>	<b>1,223,040</b>	<b>1,223,040</b>	<b>1,223,040</b>
<b>Sr. Citizens Fund (Parking Tax)</b>	<b>5,500</b>	<b>27,500</b>	<b>27,500</b>	<b>27,500</b>	<b>27,500</b>	<b>27,500</b>	<b>27,500</b>





Development of a large public agency office building within Mission Bay, for example, would cause a small reduction in overall property taxes projected but would not alter the basic conclusions of the fiscal analysis. The City will have the flexibility to adjust to such uncertainties and avoid negative fiscal consequences.

Periodic delays in development due to market conditions and/or investment decisions of the Project Sponsor which result in an extension of the assumed buildout period (30 years) could delay or reduce benefits received from various aspects of the Project, including the provision of infrastructure, parks, community facilities, and affordable housing.

### *Alternatives to the Proposed Project Would Have a Lesser Ability to Achieve the City's Objectives*

Figure 5 summarizes the land use programs and fiscal results of the Proposed Project and four Project Alternatives considered in the Environmental Impact Report (EIR). In general, the Alternatives with the highest commercial densities generate the largest fiscal surpluses. With these higher densities, certain service costs are likely to increase, but such costs would be more than compensated by the additional revenues generated by higher densities.

**Figure 5 - Summary of Mission Bay Land Use Alternatives**

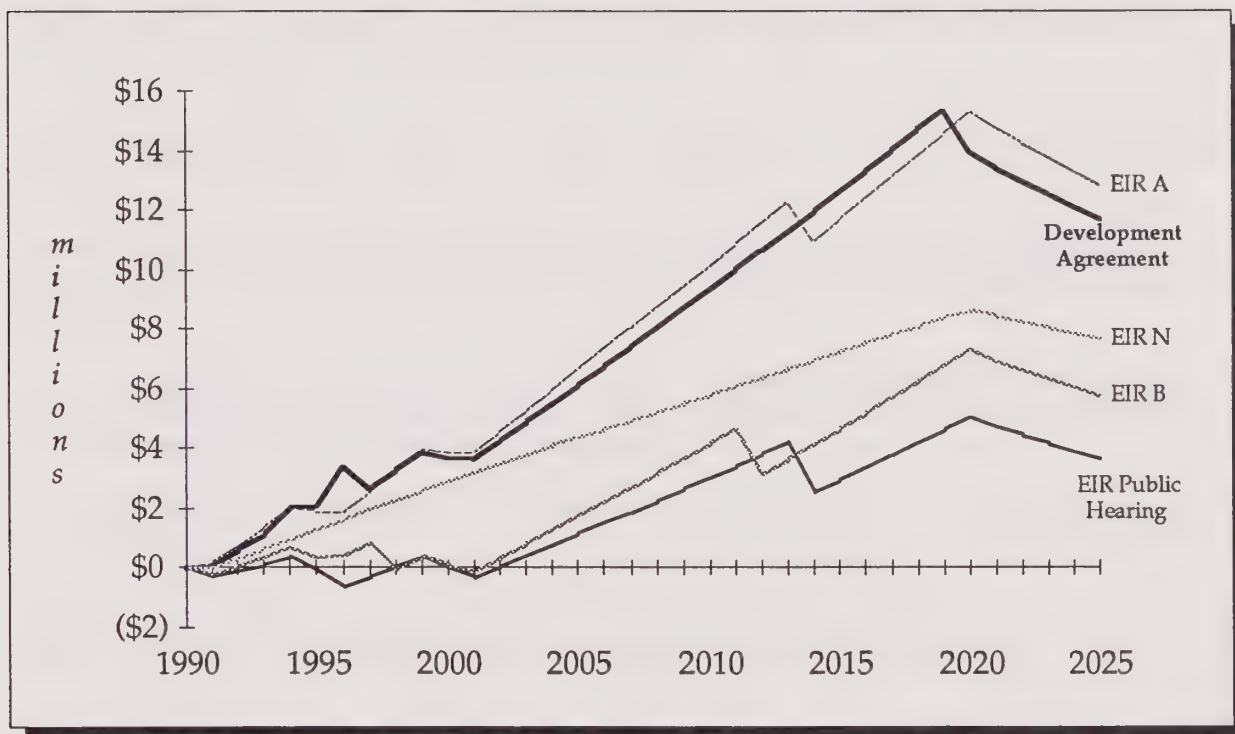
Land Use	Alternative				
	EIR A	Development Agreement Proposal	EIR N	EIR B	EIR Public Hearing
Residential units	7,700	8,000	0	10,000	8,500
Office sq.ft.	4,100,000	4,800,000	1,000,000	1,000,000	0
Retail sq.ft.	250,000	735,000	100,000	300,000	500,000
Service/Ind'l sq.ft.	3,600,000	900,000	6,048,000	420,000	1,230,000
Hotel rooms	500	500	0	0	400
(Hotel sq.ft.)	400,000	400,000			320,000
TOTAL sq.ft. plus Residential	8,350,000 7,700	6,700,000 8,000	7,148,000 0	2,039,900 10,000	2,030,000 8,500
Annual Fiscal Balance @ Buildout (millions - 1989 \$)	\$15.3	\$13.9	\$8.6	\$7.3	\$5.0
Cumulative Fiscal Balance (millions)	\$217.3	\$215.1	\$133.7	\$74.4	\$51.1





**Figure 6** illustrates the relative fiscal benefits of the Project Alternatives, including the Development Agreement proposal. Although all Project Alternatives are shown as positive by the end of the buildout period, EIR Alternative B and the EIR Public Hearing Alternative would not be able to fully fund the City subsidy required for the Housing Program, nor would they be as positive as the "No Project Alternative" (EIR N), which assumed industrial buildout of Mission Bay.

**Figure 6 - Graphic Comparison of Annual Net Fiscal Effects on General Fund for Land Use Program (1989 dollars)**





# AN AFFORDABLE HOUSING PROGRAM

**T**HE PROPOSED LAND USE PROGRAM includes 8,000 housing units within Mission Bay, with 3,000 (37.5%) subsidized for households with incomes averaging 75%, 100% and 120% of the median income of San Francisco families. At current median income levels, the subsidized units would range in price from \$50,000 to \$147,000. At least one-third of all housing units and 50% of the subsidized units will be of a size to accommodate three or four bedrooms.

The City will be responsible for constructing 2,200 affordable housing units, with an additional 800 affordable units created by the Project Sponsor.

**Figure 7** summarizes key elements of the Housing Program. The Housing Program will be funded as follows:

- The Project Sponsor will dedicate about 26 acres of land to the City as development proceeds. The dedicated housing sites will have hazardous wastes mitigated and will have infrastructure in place.
- The City will contract with non-profit housing providers to construct affordable housing units. To achieve affordable housing objectives, a City cash subsidy estimated at \$90 million (averaging \$3 million annually over 30 years) would be required.
- The City's share may be reduced to the extent additional grants and/or low cost financing is available.

## *Impact of the Housing Program upon the General Fund*

If the City's Housing Program subsidy costs were to be funded by the General Fund, the net fiscal benefits projected by the fiscal analysis would be reduced. Shortfalls could occur in initial years during which annual housing subsidy costs could exceed the projected positive General Fund cost/revenue balance resulting from the Mission Bay Project, depending on how the program is funded.

For example, **Figure 8** compares the projected annual housing costs under two funding scenarios to the annual General Fund cost/revenue balance projected for Mission Bay. If cash is used, annual subsidy costs would average \$3 million. Under this scenario, the Housing Program subsidies would erase the net fiscal benefits of the Project for the first 5 or 6 years and require additional funding of \$7 million (\$1 million per year).

The use of a debt subsidy approach would lower initial cash outlays and result in annual shortfalls of approximately \$0.5 million during the first 2 or 3 years. However, the long term cost of a debt subsidy approach would more than double that of a cash approach.





In either case, following the initial shortfalls, the net fiscal benefits would surpass the Housing Program subsidy. Figure 9 presents a longer term analysis which compares the net fiscal balances that would accrue from the Mission Bay Project with the costs of the two Housing Program funding scenarios.

Figure 7 - Summary of Affordable Housing Program

Component	Entity		
	SFP	City	Non-Profit Housing Developers
Land & Infrastructure	Provides 26 acres of remediated, improved building sites to City Trust.	Receives 26 acres from SFP.	
Development	Develops 800 units on its land, average size 760 sq.ft.	Responsible for development of 2,200 units, average size 960 sq.ft.	Will develop City affordable units.
Operations/Sales	Sells/rents 800 units at 120% of median income, about \$53,000 for family of four.	Provides for sale/rent of 2,200 units averaging 75% to 120% of median income, (average 90% of median, about \$40,000 for family of four). May provide additional subsidies to non-profits.	May receive additional subsidies from City (or State or Federal governments) depending on income groups served.

Figure 8 - Impact of Housing Program Costs on Fiscal Balances (1989 dollars)

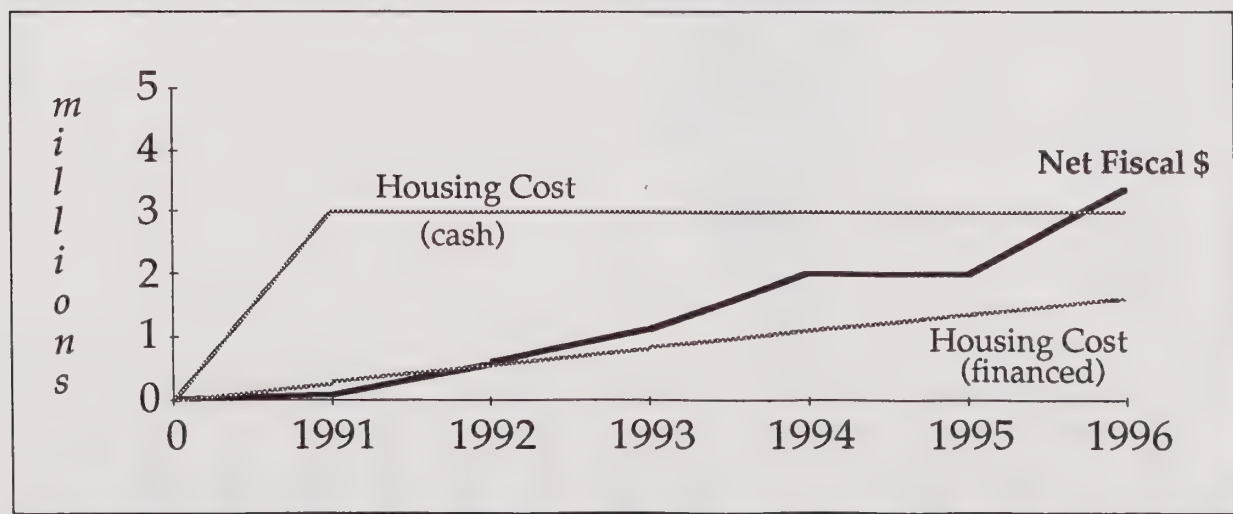
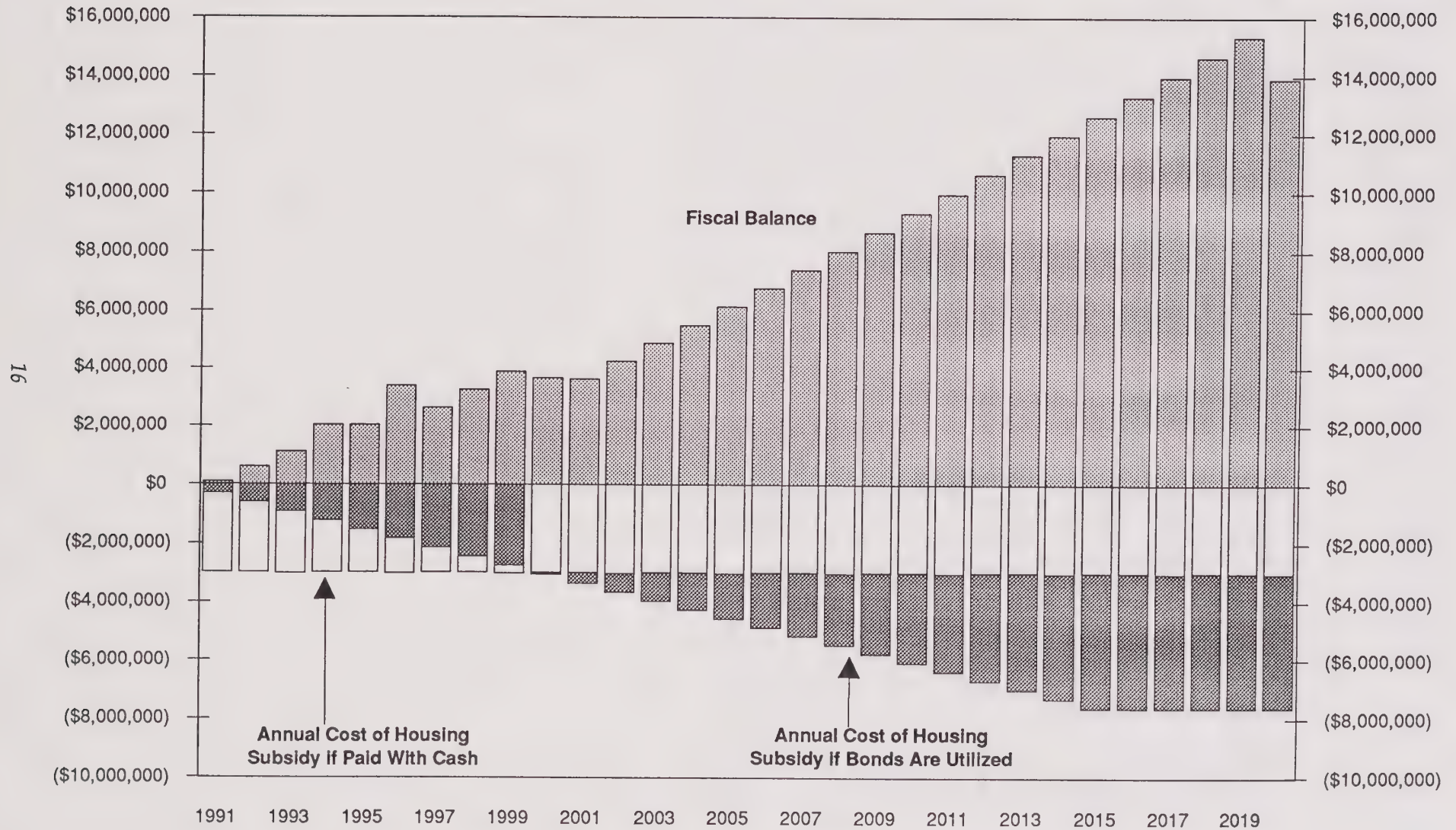




Figure 9

Comparison of City's Annual Fiscal Balance and  
Housing Subsidy Cost Resulting from Mission Bay Project  
(1989 Dollars)







# POTENTIAL HAZARDOUS WASTE MITIGATION COSTS

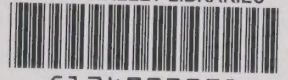
**T**HE SOIL IN THE MISSION BAY site may be contaminated with a variety of hazardous wastes resulting from landfill and industrial and transportation related uses over the past 100 years. The City, through the Port, also holds the public trust land underlying China Basin Channel, and other property within the Mission Bay project boundaries, some of which is leased to third parties. The City could be held responsible for costs of investigating and mitigating any resulting contamination of its property, while the Project Sponsor is responsible for mitigation costs on its land holdings. The extent of any contamination is unknown at this time, thus precise cost estimates are not available.

A major aspect of the Mission Bay planning effort was the preparation of a Hazardous Waste Mitigation Program which addresses how this problem will be solved. Hazardous waste mitigation means that the wastes will be cleaned, contained or removed in accordance with Federal and State regulations. The Project Sponsor has assumed responsibility for investigating and mitigating any hazardous wastes found within the Mission Bay site and the Western Pacific Property it will exchange with the Port. The Project Sponsor will also investigate and mitigate all City street lands and most of the lands held by the Port, including lands the Project Sponsor will develop and lands that will remain in Port maritime uses. Two areas, totaling 15 acres, will have hazardous waste mitigation shared equally by the City and the Project Sponsor: China Basin Channel sediment and certain Port land leased to third parties. The City's share of these costs is not considered to be a cost of the Mission Bay project as these costs are potential liabilities which the City already faces.





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